The United States House of Representatives
Agriculture Committee
Farm Bill Field Hearing
Scottsburg, IN
July 24, 2006
Testimony of Eric Wolfer

Good morning Chairman Goodlatte and members of the Committee. Thank you for allowing me to provide you with information on the effectiveness of the 2002 Farm Bill and on the future challenges of agriculture going forward. I would like to give a special thanks to Representative Schmidt for submitting my name to the committee.

Our farm is located approximately 40 miles east of Cincinnati, in Clermont and Brown Counties in Ohio. We farm approximately 2400 acres of corn, soybeans, and wheat. Our operation is a 50/50 partnership between my parents, my wife and I. We started the operation with 600 acres and have expanded into the 400 owned and 2000 rented acres over the last 10 years. My father always farmed part time with my grandpa until I graduated from the University of Cincinnati with a BA in Business Management and Accounting. After my graduation in 1996, my grandpa retired and my father and I started the expansion and both have farmed full time ever since. We have also added two part time employees in the expansion process. I am in my last term as a FSA County Committee member, I represent four counties as a State Board member of the Ohio Farm Bureau, and serve as a Board member on the Southern Ohio Agricultural and Community Development Foundation (the tobacco settlement MSA) which provides grants and loans to communities and farmers in Southern Ohio, in which Representative Schmidt is a past board member of this foundation.

Over the last 10 years our operation has experienced many of the Title I Commodity parts of the 2002 Farm Bill and Title V Farm Credit portions. I will share our experiences and provide how they may be addressed better in the future. The changes in 2002 with yield upgrades and the addition of oilseeds has helped with direct and counter-cyclical payments. As an expanding farm though, most of the land that becomes available to rent is difficult to establish in the safety net programs because of lower reported yields and lack of reporting. The direct payment program seems to only benefit long time historical farms. These farms are owned by older farmers who have been involved with farm bill programs for many years. If new WTO rules are established and Congress feels the need to rewrite programs so that they provide more direct payments to farmers, then remember that yield updates need to correspond in order to keep up with improved seed technology and help the program be up to date. Also, requiring the landowner signature causes lots of confusion and more paperwork. We have 36 landlords and they get confused when they get piles of paperwork from the FSA office. Most of them just forward the documents to us because they rented their land so that they don't have to deal with this type of red tape.

The Marketing loan and loan deficiency programs work very well in implementing a marketing plan and risk management plan with crop insurance. A problem that we experienced was in 1999 and 2001 when we had suffered droughts and did not have the bushels to claim an LDP, since it is tied to current bushels. Another problem with the LDP program is that grain terminals in our area erode basis when LDP's kick in. Their response is why should we care because you are getting government money anyway. Subsidizing grain companies is not what the program is about.
The Counter-Cyclical program is designed to help soften this difference and is a step in the right direction. Most economists seem to like how the program works, in that it provides more funding to be saved in good times, in order to weather the bad times. That sounds good but the public perception is negative because big income years get bigger. The Counter-Cyclical program helps as a safety net and is good for both the taxpayer and the farmer. We get money when prices are low and money is saved when prices are better.

The subsidizing of crop insurance is a must for our operation to stay in business. We have utilized crop insurance since 1999 when we lost $100,000.00 due to drought. Between 2000 and 2004 we had to use it twice and would have been out of business otherwise. This is a great way to leverage dollars and make them go further. The insurance company is taking the brunt of the loss while the subsidy makes insurance affordable to the farmer. Our insurance bill is $30,000.00 per year even with the subsidy. There are some abuses out there, but with tough enforcement and the use of county committees to watch over reports, I think that is well worth it. Our own county has red flagged 3 claims in the last year.

Having emergency programs has helped out when a local disaster is present. In the past there were timing issues but this is improving over time. Our county has been able to use this for an ice storm this winter and a drought in 2001. This has allowed livestock producers to fix fence and allow them to develop better water systems for livestock.

The conservation programs that we have utilized include the continuous CRP waterways, buffers, and filter strips. We farm 200 acres of bottom ground next to the Eastfork River and this has allowed us to install buffer strips to filter herbicides and fertilizer before it enters the water. This gives us the opportunity to receive some funding for the landlords so we do not have to farm it and improve water quality. EQIP has been under funded recently causing it to become a water quality program. Priorities seem to be given to those who are having the worst problems, while the good conservationist's don't make the cut. This program should have additional funding to help reward those who are already going above and beyond. The CSP program was designed for this purpose but has not had enough funding and is not available to many people, not to mention a paperwork nightmare. Because most of our farms are rented we do not have enough records on them to qualify for the full amount and landowners are not willing to help with the time requirements.

Last year we obtained a facility loan to build a 65,000 bushel grain bin. This program which provides low interest money works very well with the other programs available. Getting marketing loans works well from a cash flow stand point and for a marketing plan, but you need storage to utilize it. The facility loan program helps to make storage construction affordable so that you can utilize a better marketing strategy.

Looking into the future we understand that you will be looking at efficiencies and want to save money. We do the same thing on our farm everyday, but I urge you to review county FSA office closings with caution. We have E-auth accounts set up to do DCP and LDP's on line. In the two counties we deal with our farm is only one of three producers who use the on-line reporting system. Many producers do not have computers and only a handful have high-speed internet access. In using this system I had to have one of the staff in the FSA office train me for 1 ½ hours to properly fill out the forms. After training and double checking, I still sent an LDP to the wrong county this fall which had to be manually fixed. As a farm that uses GPS yield maps and has three GPS guidance systems on equipment we still have trouble using the e-file system. This is a step in the right direction, but to me is only a tool in the tool box and not the silver bullet.

As for payment limitations the problems are with enforcement and the multiple entity rules. We all know the people will try to find loopholes whenever possible but we should close them once they are found. As a FSA Committee member this is one of the hardest programs to police. If everyone was held to one payment limitation no matter what type of business structure they are under then there would not as much scrutiny over the limits.

In summary, with rising energy costs which are a part of almost all of our costs, and the need to have a safe and ample food supply, I cannot see where there could be any reduction in future Farm Bill budgets. I would support the idea of leveraging as many dollars as possible like the crop insurance subsidy. All we are looking for in the agricultural community is to have a safety net that helps us when the prices and/or yields are low so that we can pay the bills and prosper in the future. We would prefer to have the market provide prices that would allow us to be sustainable but when the prices get high enough to accomplish this our products are not affordable abroad. For example wheat on Chicago Board of Trade is trading at $4.03 but our cash price is $3.28. This difference is because our grain terminal can’t sell the wheat for any higher. Higher Chicago Board of Trade prices aren’t the answer unless a buyer is willing to pay for it. The 2002 Farm Bill has served us well but could use some tweaking as we go forward given my experiences.

Thanks again for your time.